GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3568
ANSWERED ON:16.12.2005
NEW CREDIT POLICY FOR URBAN COOPERATIVE BANKS
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Will the Minister of FINANCE be pleased to state:

(a) whether Reserve Bank of India(RBI) has announced any new credit policy for Urban Cooperative Banks ;

(b) if so, the details thereof ;

(c) whether the Federations of the Urban Cooperative Banks have represented against the policy;

(d) if so, the details thereof alongwith the reaction of the Union Government thereto;

(e) whether RBI issued fresh guidelines for Cooperative Banks to maintain their Statutory Liquidity Ratio on the Government securities; and

(f) if so, the details thereof ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S.PALANIMANICKAM)

(a)&(b) ; Reserve Bank of India announces annual policy statement in the month of April/May and mid term review of the annual policy statement in the month of October, every year. These policy statements also contain issues relating to Urban Cooperative Banks(UCBs). RBI has made following announcements which are also applicable to UCBs:-

(i) Provision for `Standard Assets` raised from existing 0.25% to 0,40% to unit banks and UCBs having multiple branches within a single district with deposit base of Rs. 100 crore and above and all other UCBs operating in more than one district,

(ii) All banks including UCBs are urged to give wide publicity to the facility of no fills account so as to ensure greater financial inclusion.

(iii) Extending facility of currency chest/ Authorised Person licence to UCBs.

(iv) Permitting the acquirer of UCB to amortise the losses taken over from the acquired UCB over a period of not more than five years, including the year of merger.

(c)&(d) : Reserve Bank Of India (RBI) had imposed a ban on loans/advances to the Directors/ Employee Directors/Elected Directors of the Urban Cooperative Banks(UCBs) after the implementation of the recommendations made by the Joint Parliamentary Committee on Stock Market Scam of 2001. Based on various representations received and recommendations of RBI, the ban on sanction of loans and advances by UCBs to their Directors has been relaxed in the following cases : -

(i) Regular employee related loans to staff Directors on Board of UCBs.

(ii) Normal loans as applicable to members to the Directors on the Board of salary earners cooperative banks, in Normal employee-related loans to Managing Directors of Multi-State Cooperative Banks.

(e)&(f) : As per extant instructions, UCBs are required to maintain Govt. Securities as part of their statutory liquidity holding as under : -

Category of UCBs Statutory Liquidity Ratio holding in Govt. and other approved securities as per cent of Net Demand and Time Liabilities

(i) Scheduled UCBs 25%
(ii) Non Scheduled UCBs with deposits of 15%
more than Rs.25 crore.

iii) Non Scheduled UCBs with deposits less than Rs.25 crore.	10%